

Michigan Veterans Trust Fund

Veterans Affairs and Homeland Security Committee - March 8, 2005

Testimony for HB 4001 and HB 4002

On behalf of the Michigan Veterans Trust Fund Board of Trustees we thank you for the opportunity to provide testimony on these bills. The Chairman of the Board of Trustees was unable to attend today due to medical issues.

The combined effect of these bills will

- continue the State's commitment since 1935 to the education of a group of children who have suffered either the death or serious injury or illness of a parent who has served the Nation's defense
- transfer the administration of the tuition program to the Michigan Higher Education Assistance Authority
- relieve the Michigan Veterans Trust Fund of the responsibility of funding this entitlement

Funding this entitlement has become an ever increasing burden to the Michigan Veterans Trust Fund. A comparison of the Trust's revenues and expenses for the past five fiscal years is provided to all committee members.

- The Trust has suffered the loss of revenue as interest rates on our bond portfolio have decreased.
 - Note the recent Constitutional change permitting the Trust to invest in stocks. Working with the Department of Treasury the Trustees have broadened the investments over the past two years. This opportunity brightens the future but does not solve the problem.
- The Trustees have made a series of difficult decisions reducing the availability of the Trust's primary purpose, the Emergency Grant Program
- The Trustees have reduced the administrative costs of operating the Trust at both the State and County levels.
- Despite these efforts the value of the Trust's principal continues to drop. A downward spiral further reducing the Trust's ability to produce revenue.

All committee members are provided a summary of the history of the Tuition Grant Program and the Michigan Veterans Trust Fund.

I recommend your support of HB 4001 and 4002.

Please let me answer your questions.

[illegible]

**Public Act 245 of 1935
MCL 35.111-112
Tuition Grant Program for Children of Certain Veterans**

Legislative history of PA 245 of 1935

- In 1935, the State of Michigan created a post-secondary educational entitlement for the children of military personnel killed during WWI.
- Amendments in 1937 (PA 84), 1943 (PA 38) and 1963 (PA 128) expanded provisions of the original Act to include death subsequent to service and/or total disability. The amendments expanded coverage to death or disability in past, current or future wars.
- An amendment in 1965 (PA 371) transferred the administration of the entitlement to the Michigan Veterans Trust Fund (MVTF).
- An amendment in 1974 (PA 44) included the children of military personnel MIA.
- An amendment in 1984 (PA 216) expanded eligibility to include the child of a veteran awarded total service-connected disability during any period of military service.
- An amendment in 1996 (PA 335) placed an annual cap of \$2,800 on students entering the program on or after October 1, 1996. The amendment opened the entitlement to eligible students attending private colleges. It continued full tuition for students enrolled in the program prior to October 1996.

Financial history

- The 1965 amendment (PA 371) to PA 245 of 1935 transferred administrative duties of the program to the Trustees of the MVTF. This amendment added this language "The appropriations provided to the institutions or state board of education for this purpose shall be made to the Michigan veterans' trust fund board of trustees."
- Universities and colleges appear to have waived the entitlement's tuition costs from 1935 to 1946. The Department of Education received General Fund (GF) to fund the entitlement program from 1946 to 1967.
- In 1959 the Legislature liquidated the MVTF corpus and began a periodic and irregular repayment schedule ending in the final repayment in 1973.
- During this repayment period, PA 267 of 1967 and PA 245 of 1968 specifically provided \$400K of GF to the MVTF for the entitlement of the tuition grant program.
- In 1976, the Legislature again liquidated the MVTF corpus and began a periodic and irregular repayment schedule ending in the final repayment in 1994. Although, the MVTF received GF support for its operations during this period we can find no separately identifiable support for the entitlement of the tuition grant program.
- Since 1995, the MVTF has received no GF to support the tuition grant entitlement.

Cost to MVTF (* denotes estimation prior to fiscal year closings)

FY	# of Students	Tuition Paid	FY	# of students	Tuition Paid
1995	422	826,553	2000	456	994,773
1996	423	817,106	2001	460	931,368
1997	457	970,897	2002	481	992,828
1998	474	955,149	2003	484	1,198,904
1999	484	988,611	2004	420*	1,085,463*